



CMDA

Capital Market Development Authority

QUARTERLY REPORT

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CMDA Quarterly Report

PREFACE

This report covers market news and developments of the capital market during the 4th quarter of 2011.

CMDA Bids Farewell to outgoing Chairperson

CMDA bids farewell to outgoing Chairperson, Ms. Mariyam Hussain Didi. During the farewell function, the management and staff of the Authority expressed sincere appreciation for her invaluable services and contributions to the Authority.

REGULATORY ACTIVITIES

Board Meetings

The CMDA Board met eight times during the quarter and the following matters were resolved/discussed:-

Resolutions & Important Discussions

- Resolved to appoint a Chief Finance Officer of the Authority.
- Resolved to pass the Guidelines on Principal Advisers.
- Resolved to cancel the Dealer's License issued to T.H.E Financial Services Pvt Ltd.
- Resolved to sign MOU with the International Center for Education in Islamic Finance (INCEIF).
- Resolved to appoint a consultant for the Capital Market Shari'ah Advisory Committee.
- Resolved to pass the Fixed Asset Policy of the Authority.
- Resolved to enter to a MOU between CMDA and Securities Exchange board of India (SEBI).
- Approved to grant Dealers' Representative license to Mr. Mohamed Janah as the representative of Aariya Securities Pvt. Ltd.
- Approved the Off-Market Share Transfer Rules.
- Approved to become a member of International Organization of Pension Supervisors (IOPS).
- Endorsed a staff for Employee of the Year Award 2011.
- Approved the newly nominated Board Members of MSE & MSD.

- Discussed the priority areas for 2012 and evaluated the achievement of targets sets for 2011 under the Capital Market Strategic Plan (2010-2014).
- Discussion on staff performance evaluation and promotions.

NEW REGULATIONS & GUIDELINES

- **Off-Market Share Transfer Rules:** prescribes the procedure of transferring listed securities, outside the platform of the stock exchange, between certain individuals who are related to each other following the approval of the Authority.
- **Guidelines on Principle Adviser:** was issued to ensure that corporate proposals submitted to the Authority for issuance of securities, or any other such activity for which, Authority's approval is required to ensure compliance with the relevant laws and regulations.

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LICENSING

- Following the evaluation of the application for the Dealer's Representative Licence, CMDA Board approved to grant Licence under the Dealers' and Dealers' Representatives Licensing Regulation to Mr. Mohamed Janah. The license was granted for two years to represent Aariya Securities Pvt. Ltd.
- On the request of T.H.E Financial Services Pvt. Ltd, the Dealers' licence issued to the company was cancelled on 22nd December 2011.

MARKET REGULATION AND SUPERVISION

Regulatory & Enforcement Notices

- Circular was issued to listed companies regarding standardization of information on the share certificates and to have two signatures of authorized personnel from the issuing company.
- Circular was issued to dealing companies requesting to appoint a "Reporting Officer" as per Regulation on Anti-Money Laundering in Securities Related Transactions. Giving consideration to current market conditions, Dealing Companies were instructed to utilize a current staff to undertake the responsibilities of Reporting Officer.

Inspections

- During the quarter, the Authority carried out an Anti Money Laundering (AML) preliminary inspection of all the Dealing Companies. The aim of the inspection was to monitor the level of compliance to Regulation on Anti Money Laundering in Securities Related Transactions and to identify the difficulties in implementing this regulation by the Dealing Companies.
- The third quarter onsite inspection of the Dealing Companies were carried out. The primary focus of the inspection was to check the extent to which the Dealing Companies have complied to the necessary rules and regulations set by the Authority. Furthermore, internal control systems and procedures were inspected. The inspection findings were communicated and directions were given to take corrective measures.

PENSION SUPERVISION

CMDA become IOPS Member

CMDA has been admitted as a Governing Member of International Organization of Pension Supervision (IOPS). IOPS is an internationally recognized organization, having 70 members and observers representing approximately 60 countries which serves as a world-wide forum for policy dialogue and exchange of information. The organization assists its members on improving the quality and effectiveness of the supervision of pension systems and to enhance the operational efficiency. This membership will enable the Authority to strengthen and standardize the pension supervisory function by introducing international standards.

CREDIT RATING

In order to create a competitive environment for the operations of credit rating agencies, the Authority plans to license an additional credit rating agency. As such, the Authority is closely working with the Credit Rating Agency of Bangladesh (CRAB) which has applied to acquire the license to operate a credit rating agency in Maldives.

"If past financial crises have taught us anything, it is that growth is sustainable only if strong regulation is underpinned by a culture of accountability and propriety"

-Y Bhq Tan Sri Zarinah Anwar

TRAINING & AWARENESS

Workshop on Credit Rating



-Opening Ceremony-

A workshop on 'Best Practices for Regulatory Framework in South Asia – Domestic Credit Rating Agency for Regulatory Framework and use of Credit Rating Agency System in Maldives' was conducted in collaboration with the Asian Development Bank on 21st November 2011.

The objective of the workshop was to disseminate information of the Asian Development Bank (ADB) report on use of credit information by domestic credit rating agencies and to discuss the current issues shedding light on utilizing the credit rating information effectively. A sum of 37 policy makers and representatives from government institutions as well as public and private sector firms shared their views in promoting credit discipline and on the use of credit information.

ICDS Examination for Corporate Directors

ICDS conducted its second round of examination for Directors serving at the Boards of State Owned Enterprises. Examination for Corporate Directors are scheduled to be conducted throughout the year. The main objective of the examination is to equip Directors with necessary skills which are required to enhance the level of competency.

Prior to the examination, a 3 day Directors Training Program was conducted to enhance the participants knowledge and skills in applying the principles of Corporate Governance. This training program is conducted by local and foreign experts. The main areas of the program includes competencies of directors, business ethics, risk management, corporate governance and other regulations.

Awareness Session on Credit Rating

A public forum on Credit Rating Agency Services was held in the auditorium of Faculty of Management and Computing in collaboration with Credit Rating Agency of Bangladesh (CRAB). The main objective of the forum was to give an understanding of what credit rating is and how it contributes to the systematic development of the financial sector and the economy.

Furthermore, group discussions and one-to-one discussion sessions were held with the market participants and relevant government officials and stakeholders on credit rating services and how the credit information can be utilized.

Training Course on Operations of Islamic Capital Market



-Participants of the Training Course -

A five day training program on Operations of Islamic Capital Market was conducted in collaboration with Islamic Research and Training Institute (IRTI), the training arm of Islamic Development Bank.

Thirty five participants from government institutions, public as well as private institutions engaged in the financial sector and delegates from Bangladesh participated in the program. The main objective of the training program was to enhance the operational knowledge about Islamic Capital Market and its supplementary components.

Presentation on the Area of Capital Market Legislative Reform

CMDA delivered a presentation on the legislative reforms needed for further development of Maldivian Capital Market and to facilitate a robust and open capital market conducive for local and foreign investors. The presentation was delivered by CMDA's Head of Islamic Finance, Uza. Aishath Muneeza, during the Business Law Reform workshop organized jointly by UNDP, Ministry of Economic Development and a renowned local law firm, Suood Anwar & Co.

The presentation highlighted that amendments need to be made to the Maldives Securities Act (2/2006), Companies Act (10/96), Foreign Investment Act, Land Act and legislations relating to Tax in order to facilitate development of a robust capital market.

Awareness Program outside Male'



-CMDA Officials Delivering a Presentation-

An investor education and awareness sessions were conducted in K. Dhiffushi and K. Thulusdhoo. The objective of these programs were to raise awareness levels in savings and investments and retirement savings, focusing on capital market products including Shari'ah Compliant Products.

Initial Public Offerings

During the quarter under review, two new companies, Dhiraagu and Amana Takaful Maldives were listed on the Maldives Stock Exchange and subscription for shares were open for the general public. Subscription was closed during the month of November with successful outcomes. IPO of Amana Takaful Maldives was fully subscribed and Dhiraagu was able to sell 41% of the shares offered. Both companies are expected to be open for trading during the first quarter of 2012.

Proposed Public Offerings for 2012

During the quarter the Authority continued dialogue on Going Public with most of the companies listed below in order to guide them through the Going Public process.

- Island Aviation Services Pvt Ltd
- Maldives In-flight Catering Services Pvt Ltd
- State Electric Company Pvt Ltd
- Housing Development Corporation Pvt Ltd
- Housing Development Finance Corporation Plc
- Maldives Ports Limited
- Allied Insurance Company Maldives Pvt Ltd

Major Targets Achieved during the year 2011, set under the Capital Market Strategic Plan (2010—2014)

1. Establishment of a robust, supportive, legal and regulatory framework that conforms to international best practices.
 - Enforcement of the Securities (Compensation Fund) Regulation.
 - Enforcement of the Regulation on Anti Money Laundering in Securities Related Transactions.
 - Enforcement of the Securities (Continuing Disclosure Obligation of Issuers) Regulation.
 - Approved Guideline on Underwriting of Securities by Banks.
 - Approved Regulation on Issuance of Securities.
 - Approved Guidelines on Principle Advisers.
 - Approved Regulation on Collective Investment Schemes.
 - Approved Regulation on Asset Managers.
 - Reviewed the Maldives Securities Act (2/2006).
 - Work undertaken to Enhance the Central Depository Bill to align with the international standards.
 - Lobbying to expedite the Trust Bill to facilitate Capital Market Products.
 - Drafted rules for the issuance and listing of corporate, municipal and infrastructure bonds.
 - Drafted Guidelines on Issuance of Sukuk.
 - Drafted Guidelines on Registration of Shariáh Advisors.
 - Drafted Guidelines on Asset-Backed Securitization.
2. Development of the Capital Market Products and Services.
 - Facilitated the listing process of two new companies on the Maldives Stock Exchange.
 - Continued discussions with the relevant Authorities on key policy matters.
 - Established the first Capital Market Shariáh Advisory Committee.
 - Declared Amana Takaful Maldives Public Limited as a company issuing Shariáh compliant securities.
 - Licensed the first credit rating agency to provide credit rating services in Maldives.
3. Empowerment of Investors and Issuers to make informed decisions.
 - Revised the Corporate Governance Code.
 - Conducted several awareness programs, training programs, seminars and workshops on Islamic Capital Market Products as well as the conventional capital market products for the market intermediaries, relevant government authorities, private sector parties, secondary school students and for the general public.
- Established the Institute of Corporate Directors and Secretaries.
4. Enhance the Capital Market infrastructure and institutional arrangement.
 - Provided training program for the staff to increase the capacity of conducting market surveillance, inspections and off-site inspections.
 - Reviewed the roles and responsibilities between the Authority and MSE.
5. Strengthening the managerial capacity of capital market institutions and intermediaries.
 - Training presentations were delivered to the senior managers, board members and the staff of more than 5 companies on Corporate Governance Practices.
 - Reviewed the internal control systems of the licensed intermediaries.
6. Enhancing effective and efficient utilization of information technology.
 - Approached to acquire technical assistance to establish state of the art IT infrastructure to integrate the market.
7. Building Strategic Alliances.
 - Participated in the 36th IOSCO Annual General Meeting and the Asia Pacific Regional Committee to continue the dialogue with the regulatory authorities regionally and world-wide.
 - Received membership as a Governing Member of IOPS.
 - Continued dialogue with regional Regulatory Authorities to sign MOUs for information sharing and technical cooperation.
8. Pension Supervision.
 - Developed a strategy for pension supervision.
9. Strengthening the institutional capacity and image of the CMDA.
 - Reviewed and updated the existing internal system, policies, structure and procedure.
 - New internal policies and procedure were drafted to establish a robust governance structure.
10. Development of high performing human capital and promotion of positive corporate culture.
 - Reviewed the existing structure of the Authority and proposed important strategic changes.
 - Implemented Succession Plan.

Principle Advisers Interested individuals are invited to submit expression of interest to register as Principal Advisors.

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